

[28 November, 2006]

RAJYASABHA

1	2	3	4	5	6	7	8	9	10
13	24-Jun.	4.30	4.84	5.57	8.11	7.42	31.97	9.28	10.32
18	29-Jul.	4.16	4.72	4.62	7.16	6.69	27.95	17.01	-1 .10
22	26-Aug.	3.33	5.27	3.68	9.52	6.09	28.58	-3.38	6.22
27	30-Sep.	4.61	5.16	4.08	11.81	4.95	41.49	4.38	-0.68
31	28-Oct.	4.75	5.09	5.09	11.76	10.22	37.58	8.47	-3.54
33	11-Nov.	4.09	5.29	5.30	12.46	13.83	33.93	15.24	-4.34

Bold are Provisional

### **Indifferent treatment to Urban Cooperative Banks**

\*98 SHRI KAMAL AKHTAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that RBI is giving step motherly treatment to Urban Cooperative Banks (UCBs);

(b) the reasons for not granting licences, even to good UCBs to open new branches in States which have signed MoU with RBI;

(c) whether Government are aware that RBI is giving same treatment to good and weak UCBs which is adversely affecting their performance and public image and is weakening the cooperative movement; and

(d) if so, whether Government will impress upon RBI to issue licenses for new branches to sound and strong UCBs in those States which have already signed MoU with them?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) It has been RBI's endeavour to develop the Urban Cooperative Banking (UCB) Sector on sound lines in order to provide security to its depositors and to bridge the gap in the credit needs of Tiny, Small and Medium Enterprises.

(b) to (d) Reserve Bank of India's Annual Policy Statement, for the year 2004-05, refers to the issuance of fresh licence to UCB Sector. It stipulates that in order to make this Sector strong, healthy and stable, fresh licences will be issued only after a comprehensive policy on UCBs, including an appropriate legal and regulatory framework for the sector, is put in place.

In accordance with the announcement, any fresh proposal for organization of new UCBs or for conversion of cooperative credit societies into UCBs is to be considered only after the situation is reviewed and a

fresh announcement is made by Reserve Bank of India in this regard. As a first step, in view of the regulatory co-ordination brought about through signing of MoU's with State Governments and based on the positive experience of the Task Force for Urban Cooperative Banks (TAFUCBs), it was stated in the Mid-term Review, to allow financially sound UCBs registered in States that have signed MoU with the Reserve Bank of India and those registered under the Multi-State Co-operative Societies Act, 2002 to convert existing extension counters into full fledged branches subject to certain conditions. Guidelines in this regard have been issued to UCBs on November 13, 2006.

For new branches/licences, RBI has informed that only upon completion of review of each state in regard to the progress of restructuring of UCBs, it would permit new branches/licences.

### **Investment of pension fund in stock market**

†\*99. SHRIMATI MAYA SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government propose to invest pension fund in the share market;

(b) whether employees unions are supporting this move;

(c) whether Government have formulated any plan to encounter the risk factor arising out of investing pension fund in the share market; and

(d) if so, the details thereof?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) It is envisaged that, under the New Pension System (NPS), subscribers will have a choice of multiple investment options with varying proportions of investment in fixed income instruments and equity. Investment guidelines would be framed by the regulator through Regulations made under the proposed Pension Fund Regulatory and Development Authority (PERDA) Bill, 2005. However, until the full NPS architecture is in place, in the interim, contributions under NPS are credited into the public account.

(b) to (d) Employees' unions have expressed concern about NPS exposure to stock markets. Under the NPS, subscribers will have a choice of schemes with different portfolios and different risk profiles. One of the schemes will provide for investment of the subscriber's funds in Government securities alone. Therefore, there is no element of compulsion to invest in equity.

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†Original notice of the question was received in Hindi.